

North Dakota REV-E-NEWS



Pam Sharp, Director

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**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

North Dakota Ranks First in State GDP!

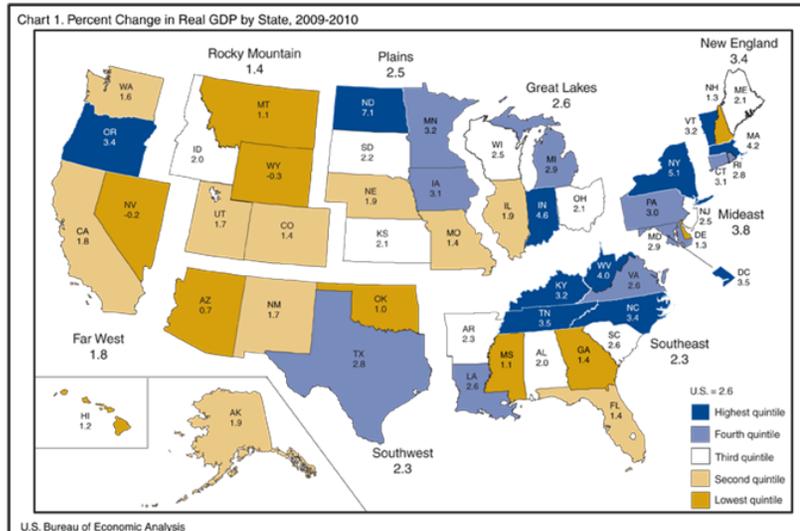
Once again, North Dakota ranks first in the nation in terms of growth in the state's gross domestic product (GDP). Real GDP by state, as defined by the Bureau of Economic Analysis (BEA), is "an inflation-adjusted measure of each state's production, wherever sold." Although the June 7, 2011, news release from the BEA includes the heading "Economic Recovery Widespread Across States in 2010," a close look at the data indicates that although economic recovery may be widespread, true economic growth is much more concentrated.

In North Dakota, GDP grew by a nation-leading 7.1 percent from 2009 to 2010. The robust mining segment of the economy, which includes the oil industry, contributed 1.9 percentage points to the state's GDP growth. However, it is important to note that even without this contribution from the mining sector, North Dakota would still have led the nation with growth slightly higher than New York, which holds a second place rank with growth of 5.1 percent. This reflects the diversity and broad-based strength of the state's economy.

Following North Dakota's 7.1 percent growth were New York at 5.1 percent, Indiana at 4.6 percent, Massachusetts at 4.2 percent, and West Virginia at 4.0 percent. Neighboring

states displayed much lower growth rates. Minnesota ranked 11th with growth of 3.2 percent, South Dakota ranked 25th with growth of 2.2 percent, Montana ranked 46th with growth of 1.1 percent, and Wyoming ranked 50th with growth of -.3.

The national average of all states was a growth rate of only 2.6 percent, hardly more than one-third the rate of growth in North Dakota. Nineteen states recorded growth of less than 2.0 percent, with sixteen between 1.0 and 2.0 percent, one state between 0.0 and 1.0 percent, and two states recording declines in GDP.



STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium May 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	44,021,000	72,458,057	28,437,057	64.6%	1,065,466,000	1,204,188,585	138,722,585	13.0%
Motor Vehicle Excise Tax	4,895,000	7,087,721	2,192,721	44.8%	82,403,000	117,614,050	35,211,050	42.7%
Individual Income Tax	12,871,000	34,897,921	22,026,921	171.1%	637,407,000	704,975,065	67,568,065	10.6%
Corporate Income Tax	5,144,000	4,988,657	(155,343)	-3.0%	215,435,000	205,470,966	(9,964,034)	-4.6%
Insurance Premium Tax	6,000,000	7,303,036	1,303,036	21.7%	63,800,000	61,905,938	(1,894,062)	-3.0%
Financial Institutions Tax	490,000	14	(489,986)	-100.0%	9,500,000	6,733,053	(2,766,947)	-29.1%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,414,061	1,450,448	36,387	2.6%	16,558,207	15,889,660	(668,547)	-4.0%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	1,855,000	1,823,327	(31,673)	-1.7%	43,370,000	44,058,191	688,191	1.6%
Wholesale Liquor Tax	580,000	709,644	129,644	22.4%	12,961,000	14,476,950	1,515,950	11.7%
Coal Conversion Tax	1,867,000	1,545,248	(321,752)	-17.2%	41,375,000	35,773,057	(5,601,943)	-13.5%
Mineral Leasing Fees	2,200,000	1,874,062	(325,938)	-14.8%	23,900,000	18,647,485	(5,252,515)	-22.0%
Departmental Collections	1,877,885	2,645,728	767,843	40.9%	58,376,481	65,457,086	7,080,605	12.1%
Interest Income	1,349,930	577,961	(771,969)	-57.2%	24,052,934	30,146,583	6,093,649	25.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					435,000,000	435,000,000	0	0.0%
Other Transfers		30,156	30,156	100.0%	1,288,000	2,823,324	1,535,324	119.2%
Total Revenues and Transfers	84,564,876	137,391,980	52,827,104	62.5%	2,809,838,040	3,045,520,450	235,682,410	8.4%

* Oil and gas production and extraction tax collections totaled \$71.8 million in May. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through May, oil tax collections totaling \$825.2 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2009-11 Biennium May 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009	May 2011	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	30,172,622	72,458,057	42,285,435	140.1%	997,634,776	1,204,188,585	206,553,810	20.7%
Motor Vehicle Excise Tax	5,386,287	7,087,721	1,701,434	31.6%	124,331,951	117,614,050	(6,717,902)	-5.4%
Individual Income Tax	30,504,059	34,897,921	4,393,862	14.4%	665,004,356	704,975,065	39,970,709	6.0%
Corporate Income Tax	2,978,644	4,988,657	2,010,013	67.5%	219,543,474	205,470,966	(14,072,508)	-6.4%
Insurance Premium Tax	7,219,894	7,303,036	83,142	1.2%	63,573,397	61,905,938	(1,667,459)	-2.6%
Financial Institutions Tax	11,271	14	(11,257)	-99.9%	10,489,637	6,733,053	(3,756,584)	-35.8%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,687,043	1,450,448	(236,595)	-14.0%	19,754,738	15,889,660	(3,865,079)	-19.6%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	1,778,142	1,823,327	45,185	2.5%	43,455,479	44,058,191	602,712	1.4%
Wholesale Liquor Tax	582,847	709,644	126,797	21.8%	13,433,197	14,476,950	1,043,753	7.8%
Coal Conversion Tax	2,121,163	1,545,248	(575,914)	-27.2%	47,284,117	35,773,057	(11,511,061)	-24.3%
Mineral Leasing Fees	937,619	1,874,062	936,443	99.9%	28,611,553	18,647,485	(9,964,068)	-34.8%
Departmental Collections	1,987,709	2,645,728	658,019	33.1%	58,874,570	65,457,086	6,582,516	11.2%
Interest Income	2,475,181	577,961	(1,897,221)	-76.6%	44,102,558	30,146,583	(13,955,974)	-31.6%
Bank of North Dakota-Transfer					30,000,000	0	(30,000,000)	-100.0%
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	435,000,000	320,000,000	278.3%
Other Transfers	16,435	30,156	13,721	83.5%	4,547,682	2,823,324	(1,724,358)	-37.9%
Total Revenues and Transfers	87,858,916	137,391,980	49,533,064	56.4%	2,561,941,484	3,045,520,450	483,578,966	18.9%

* Oil and gas production and extraction tax collections totaled \$71.8 million in May. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through May, oil tax collections totaling \$825.2 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

VARIANCES

May 2011 revenues are \$137.4 million, \$52.8 million more than projected in the original legislative forecast. Through May 2011, biennium to date revenues exceed the original forecast by \$235.7 million, or 8.4 percent. Notable variances for the month are as follows:

- **Sales tax** collections, the state's largest tax source, exceed the legislative forecast by \$28.4 million for the month, bringing the biennium to date variance to \$138.7 million, or 13.0 percent. Biennium to date collections total \$1.204 billion, which is 20.7 percent higher than during the previous biennium.
- **Motor vehicle excise tax** collections again exceed the legislative forecast -- by \$2.2 million for the month and \$35.2 million for the biennium to date. Adjusting for legislatively authorized changes in the allocation of motor vehicle excise tax revenues between the general fund and the highway fund, 2009-11 biennium collections are \$18.7 million higher than at the same point in 2007-09.
- **Individual income tax** collections are \$22.0 million higher than estimated for the month, resulting in the biennium to date total being 10.6 percent over forecast. Biennium to date collections exceed the previous biennium by 6.0 percent, an indication of strong growth in wage and other income considering the \$90.0 million income tax reduction measure approved by the 2009 legislature. In addition to the 2009 income tax reduction measure, the 2011 legislature approved House Bill 1047, which further reduced individual income tax rates. It is likely that some of the current variance will be refunded to taxpayers during fiscal year 2012 due to over-withholding by employers and over-payment of estimated taxes by taxpayers who have not yet adjusted tax payments to reflect the reduced income tax rates.
- **Departmental collections** exceed the legislative forecast by \$758,000 for the month and by \$7.1 million for the biennium to date. Department collections consist of various taxes, fee, and service charges collected by state agencies. The May variance relates primarily to telecommunications tax collections.

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